(b) whether the number of Government employees would be reduced?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) During the financial year 2009-10, the burden of Sixth Pay Commission on the Central Exchequer, including arrears, is likely to be approximately Rs. 36,000 crore. The burden in respect of State Governments will depend on the manner in which the recommendations of Sixth Pay Commission are adopted by the States.

(b) No proposal in this regard is under consideration at present.

Fall in foreign exchange reserves

2375. SHRI DARA SINGH: Will the PRIME MINISTER be pleased to state:

(a) whether the country's Central Bank has seen its foreign exchange reserves shrink more than 63 billion dollars in less than six months as well as our exports slumping;

(b) whether it is a fact that the country's forex reserves which touched as high as 316 billion dollars on May 23 started falling at an alarming pace and on October, 31 stood at 253 billion dollars;

(c) if so, the reasons therefor; and

(d) what remedial steps Government has taken so far to minimize the draw down on reserves indicating what efforts are under way to revive exports growth also?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The foreign exchange reserves (including gold, Special Drawing Rights and Reserve Tranche Position in the I.M.F. was placed at US $ 316.2 billion on May 23, 2008. With the deepening of the global financial crisis in September 2008, there has been a withdrawal of US dollar investments/funds from global markets, including India to some extent resulting in the appreciation of US dollar against major world currencies. The exchange rate of the rupee *vis-á-vis* US dollar had depreciated sharply in October, 2008 breaching the Rs. 50 Mark. While exports grew robustly at 29.5 per cent during—April-August 2008, there was deceleration in October, 2008 (10.4 per cent) and a decline in October, 2008 (-12.1 per cent) on account of a spike in export growth in October, 2007. However, growth in exports for April-October, 2008 is at 23.7 per cent over the level in April-October, 2007. This also contributed to the tight supply conditions in the foreign exchange market. For maintaining orderly conditions and to augment foreign currency liquidity in the foreign exchange market. For maintaining orderly conditions and to augment foreign currency liquidity in the foreign exchange market, the Reserve Bank of India (RBI) intervened through sale of US dollars. Thus due to the cumulative effect of the sale of US dollars by RBI and the valuation loss arising from the appreciation of US dollars, the foreign exchange reserves declined to a level of US $ 252.9 billion on October 31, 2008 and further to a level of US $ 245.9 billion on December 5, 2008.

(d) The level of foreign exchange reserves is largely the outcome of the Reserve Bank's intervention in the foreign exchange market to smoothen exchange rate volatility and valuation changes due to movement of US dollar against other major currencies of the world. Foreign exchange reserves are accumulated when there is an absorption of the excess foreign exchange flows by the RBI through intervention in the foreign market and *vice versa*. The present level of foreign exchange reserves is adequate to meet emerging balance of payments situation in the short to medium term. A slew of measures have been taken to improve foreign exchange inflows and boost exports. Which *inter ala* include:

1. The interest rate ceilings on FCNR (B) and NR(E) RA term deposits were raised to LIBOR / Swap rates plus 100 basis points and 175 basis points respectively, so as to attract more foreign currency deposits from NRIs.

2. External Commercial Borrowings (ECBs) up to US $ 500 million per borrower per financial year were permitted for rupee expenditure and/or foreign currency expenditure for permissible end uses under the automatic route.

3. The all-in-cost ceiling for ECBs for average maturity period of 3 years and up to 5 years has been enhanced to 300 basis points above LIBOR and to 500 basis points above LIBOR for ECBs over 5 years.

4. The all-in-cost ceiling for trade credit of less than 3 years was enhanced to 6 months LIBOR plus 200 basis points.

5. Pre and post shipment export credit for labour intensive exports, *i.e.*, textiles (including handlooms, carpets and handicrafts), leather, gems and jewellery, marine products and SME sector is being made more attractive by providing an interest subvention of 2 percent upto 31/3/2009 subject to minimum rate of interest of 7 percent per annum.

6. Additional funds of Rs.1,100 crore will be provided to ensure full refund of Terminal excise duty/CST.

7. An additional allocation for export incentive schemes of Rs. 350 crore will be made.

8. Government back-up guarantee will be available to ECGC to the extent of Rs. 350 crore to enable it to provide guarantees for exports to difficult markets/products.

9. Exporters will be allowed refund of service tax on foreign agent commissions of upto 10 percent of FOB value of exports. They will also be allowed refund of service tax on output services while availing of benefits under Duty Drawback Scheme.

No Frills Accounts

†2376. MS. SUSHILA TIRIYA:
SHRI MOTILAL VORA:

Will the PRIME MINISTER be pleased to state:

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†Original notice of the question was received in Hindi.